



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 4/22/2002

GAIN Report #MX2060

Mexico

Citrus

Semi-Annual

2002

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Report Highlights:

Mexican orange production forecast for MY 2001/02 was revised upward, due to good weather conditions and timely rainfall. However, domestic prices have plummeted, forcing some producers to leave unharvested trees. Frozen concentrate orange juice (FCOJ) production and exports for MY 2001/02 were revised upward, due to expectations of higher international demand and subsequently higher FCOJ prices.

Includes PSD changes: Yes

Includes Trade Matrix: No

Semi-Annual Report

Mexico [MX1], MX

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SECTION I. SITUATION AND OUTLOOK

ECONOMIC SITUATION AND OUTLOOK

The spill over of the U.S. recession into Mexico has negatively affected consumer purchasing power and trade in various sectors of the economy. Although GDP growth for 2001 fell to 0.3 percent, private economists project a real GDP growth rate of 1.5 percent for 2002. These same private analysts estimate that this year's economic performance will be slow, due to inflationary pressure. Although 2002 inflation estimates are estimated to be lower than in 2001, the Government of Mexico's (GOM) early inflation estimates of 4.5 percent are now considered by private analysts to be lower than previously expected; experts are now placing inflation at 4.8 percent, based on the expectation of higher residential electrical tariffs. One important factor that could limit the Mexican economic growth is related to the oil sector. This sector has also been affected, as revenue from oil exports has fallen as a result of low international prices. During January 2002, the Mexican oil price fell to approximately US\$14.90 per barrel, under the US\$15.50 per barrel figure upon which the GOM based its budget projections. Government spending and the trade balance has been negatively impacted by the drop in oil prices. On January 1, 2002, the Mexican Congress approved the 2002 budget, which consisted of a US\$7.5 billion tax package intended to boost government revenues and reduce dependence on revenues from oil exports. Despite this pessimistic outlook, private analysts consider that the Mexican economic activity will begin to recover by the second semester, as Mexico has maintained a macroeconomic stability. Also, Mexico was recently granted investment status by Standards and Poors, which allows for more investment into the country.

Citrus Situation and Outlook

The orange production forecast for MY 2001/02 has been revised upward to 3.8 MMT. Good overall weather and timely rainfall in the producing areas increased orange production more than expected. The downside of this, however, is that some producers are leaving trees unharvested, due to the prevailing lower prices. The forecast for MY 2001/02 frozen concentrate orange juice (FCOJ) production was revised upward, due to industry expectations of increased FCOJ production because of higher international prices.

SECTION II. STATISTICAL TABLES

FRESH ORANGE PRODUCTION TABLE

PSD Table						
Country	Mexico					
Commodity	Fresh Oranges		(HECTARES)(1000 TREES)(1000 MT)			
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	11/1999		11/2000		11/2001	
Area Planted	332443	332443	333000	340805	333500	335000
Area Harvested	294521	294521	306000	324816	300000	318000
Bearing Trees	60671	60671	61812	65612	60600	64236
Non-Bearing Trees	7586	7586	5454	3230	6767	3434
TOTAL No. Of Trees	68257	68257	67266	68842	67367	67670
Production	3385	3385	3500	3885	3100	3800
Imports	32	32	22	27	22	27
TOTAL SUPPLY	3417	3417	3522	3912	3122	3827
Exports	11	11	19	19	20	20
Fresh Dom. Consumption	2996	2996	3173	3493	2732	3397
Processing	410	410	330	400	370	410
TOTAL DISTRIBUTION	3417	3417	3522	3912	3122	3827

FROZEN CONCENTRATE ORANGE JUICE TABLE

PSD Table						
Country	Mexico				65 Degrees Brix	
Commodity	Juice, Orange				(MT)	
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	01/2000		01/2001		01/2002	
Deliv. To Processors	410	410	330	400	370	410
Beginning Stocks	3000	3000	3000	3000	2500	2700
Production	41000	41000	33000	40500	37000	41000
Imports	1	142	1	206	1	150
TOTAL SUPPLY	44001	44142	36001	43706	39501	43850
Exports	37801	37801	30501	37900	33501	37501
Domestic Consumption	3200	3341	3000	3106	3000	3349
Ending Stocks	3000	3000	2500	2700	3000	3000
TOTAL DISTRIBUTION	44001	44142	36001	43706	39501	43850

ORANGE PRICES

WHOLESALE ORANGE PRICES (PESOS/KG)			
Month	2001	2002	Change %
January	1.30	1.12	(13.85)
February	1.27	1.14	(10.24)
March	1.27	1.19	(6.30)
April	1.30	1.50*	15.38
May	1.63	N/A	N/A
June	1.94	N/A	N/A
July	2.78	N/A	N/A
August	3.53	N/A	N/A
September	3.47	N/A	N/A
October	1.64	N/A	N/A
November	1.47	N/A	N/A
December	1.40	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS

AVR. EXCHANGE RATE FOR 2001 US\$1.00 = \$ 9.35 PESOS

EXCHANGE RATE APRIL 10, 2002 US\$1.00 = \$ 9.04 PESOS

* As of April 5, 2002.

MONTHLY EXCHANGE RATES

MONTHLY EXCHANGE RATE AVERAGES			
	2000	2001	2002
January	9.02	9.76	9.16
February	9.43	9.70	9.10
March	9.28	9.60	9.07
April	9.37	9.33	N/A
May	9.50	9.14	N/A
June	9.81	9.09	N/A
July	9.43	9.15	N/A
August	9.27	9.12	N/A
September	9.33	9.40	N/A
October	9.52	9.45	N/A
November	9.50	9.25	N/A
December	9.44	9.16	N/A
Annual Avg.	9.40	9.35	N/A

Source: Mexican Federal Register**Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.**

SECTION III. NARRATIVE ON SUPPLY & DEMAND, POLICY & MARKETING

FRESH ORANGES

PRODUCTION

The fresh orange production forecast for marketing year 2001/02 (November-October) has been revised upward to 3.8 MMT, based on official estimates. Producers indicate that weather was better than expected in most of the producing states, so the main harvest (October to April) was larger than expected. Orange trees had good first and second blooms, resulting in larger volumes of oranges. The downside is that the larger crop has depressed prices. In fact, producers from Veracruz, are leaving part of their harvested crop on the trees because of low prices. Orange production for MY 2000/01 was also revised upward based on official data, due to favorable weather conditions in most of the producing states. The states of Veracruz and Nuevo Leon increased their orange output more than expected. Production data for MY 1999/00 remains unchanged. Oranges destined for processing for MY 2000/01 and 2001/02 were revised upward, due to higher demand from the processing industry.

Area planted and harvested for MY 2001/02 have been revised upward from previous estimates according to recent official information. Although area planted has increased, growers indicate that the increase has been slow, due to fluctuating orange prices. Orange production increases in Nuevo Leon are more of a result of tree density than of expansion in area planted. However, according to growers, some orange groves have been abandoned in Veracruz or are being planted with limes as a result of low market prices and high production costs. Countrywide orange yields for MY 2001/02 are forecast at 11.9 MT/ha, due to good weather conditions. Area planted and harvested for MY 2000/01 have been updated to reflect recent official data. Area planted and harvested for MY 1999/00 remain unchanged.

Grower prices for MY 2001/02 began in October at a low of 400 pesos/MT (US\$43.90/MT) for the early varieties. Prices were better for the late varieties and, in the state of Nuevo Leon, prices had increased to 600 pesos/MT (US\$65.86/MT) by March 2002. However, in certain areas in Veracruz, like Alamo, late variety orange prices plummeted to approximately 250 to 350 pesos/MT (US\$27.45 to US\$39.42 /MT) for February/March 2002. Transportation costs from Veracruz to Mexico City are usually 2,500 to 3,000 pesos per 10 MT (US\$274.42 to \$329.30 per 10 MT) for one-day delivery. Meanwhile, the processing industry is paying an average of 500 pesos/MT (US\$54.88/MT) for oranges, due to better international prices for fresh concentrate orange juice (FCOJ). Wholesale prices also declined from 1,500 pesos/MT in December 2001 to 1,200 pesos/MT in February 2002 (US\$164.65/MT to \$131.72/MT). Most of the oranges in the fresh market are destined for domestic fresh squeezed juice.

The Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) has been including in the "Alliance for the Countryside" assistance to citrus producers. The Alliance is an umbrella program for most of the SAGARPA's domestic support activities. The March 15, 2002 announcement, in the *"Diario Oficial"* (Federal Register), include several aspects that regulate those activities, as well as official programs including operational procedures, the responsibilities and contributions of both the federal and state governments, credit activities, direct aids to complement farmer's investments, marketing promotions, etc. The section on operational rules of the 2002 announcement includes the continuation of several phytosanitary programs, including the Citrus Tristeza Virus (CTV)

campaign. The objective of this program is to protect and assist citrus plantings in the country by providing supports to renovate the established plantings with vegetative material that is certified as free of virus and resistant to the CTV.

CONSUMPTION

The fresh orange consumption forecast for MY 2001/02 has been revised upward to 3.39 MMT, reflecting strong consumer purchasing power as a result of more affordable prices. Final consumption estimates, however, will depend on the final volume purchased by the industry. The industry indicates that better international prices for juice concentrate could increase the volume of oranges for processing. Consumption estimates for MY 2000/01 were revised upward based on affordable prices. MY 1999/00 data remains unchanged.

TRADE

The forecast for orange exports for MY 2001/02 remains unchanged, but final export figures will depend on the availability of supplies from California and Florida. Most of the oranges exported to the U.S. are from Sonora, which produces very good, high quality oranges. Mexico will continue to export processed oranges as peeled slices for fruit salads and other foods. According to growers, the international market is demanding more peeled fruit. Export estimates for oranges for MY 1999/00 and 2000/01 also remain unchanged. The United States continues to be the largest export market for Mexican oranges. The MY 2001/02 forecast for orange imports was revised upwards based on recent trade information. Imports continue to be small, due to available domestic orange supplies at low prices. Imports for MY 2000/01 were revised upward based on Mexican trade data.

MARKETING

The marketing situation for oranges and citrus fruit in general remains unchanged from FAS/Mexico's report MX1202. U.S. citrus fruit exporters should be aware of the fact that the Mexican market is more price sensitive than quality sensitive. This is one of the main reasons for limited exports of U.S. citrus products. Despite the excellent quality, prices are 4 to 5 times higher than Mexican products. Some attempts have been made by U.S. firms to enter the market, but they have had limited success because of strategies emphasizing quality rather than price.

FROZEN CONCENTRATE ORANGE JUICE (FCOJ)

PRODUCTION

Frozen concentrate orange juice (FCOJ) production forecast for MY 2001/02 (January/December) was revised upward to 41,000 MT, an increase compared to the previous forecast. According to the industry, higher international prices could encourage the industry to produce more juice compared to MY 2000/01. Juice production depends heavily on the international price of FCOJ. As the industry expected, FCOJ future contracts for CY 2002 have risen to US\$0.91/lb, compared to contracts for CY 2001 which averaged US\$0.75/lb. The forecast for oranges for processing was subsequently revised upward to 410,000 MT. FCOJ production estimates for MY 2000/01 were revised upward, based on new trade data. However, the industry estimates that MY 2000/01 FCOJ production was actually lower than 1999/2000 because of depressed international prices. Lower international prices mean smaller

profit margins for industry. FCOJ production estimates for MY 1999/00 remain unchanged.

The industry had a slow start for MY 2001/02, due to the low international price conditions and consolidation in juice plant ownership. Of the 22 Mexican juice plants previously in operation in, only 10 are currently running. The industry bought fresh fruit on average from 400 to 550 pesos/MT (US\$43.90 to \$60.37/MT) during February/March 2002, compared to 350 to 450 pesos/MT (US\$36.88 to \$47.41/MT) in 2001.

CONSUMPTION

FCOJ consumption for MY 2001/02 was revised upward to 3,349 MT, due to the introduction of more orange-flavored beverages in the market. FCOJ consumption estimates for MY 1999/00 and 2000/01 were also revised upward as HRI consumption increased slightly. However, the majority of Mexican consumers prefer and demand fresh squeezed juice instead of processed orange juice.

TRADE

The export forecast for FCOJ for MY 2001/02 was revised upward, due to an expected increase in demand. The export estimate for MY 2000/01 was also revised upward based on recent trade data. However, despite this, the U.S. FCOJ quota under NAFTA for CY 2001 was not filled. According to trade data, approximately 84 percent of the quota was shipped. The strong Mexican peso made orange exports more expensive in 2000 and 2001. Industry sources indicate, however, that Mexico will fill the 2002 U.S. FCOJ quota. The export estimates for MY 1999/00 remain unchanged. FCOJ imports for MY 2001/02 were revised upward based on recent trade data. Most of the imported juice is used for mixing purposes at the plants; as a result, imports are a small percentage of total production. Import data for MY 1999/00 and 2000/01 was also revised upward based on recent trade data.